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June 20, 2005

Law Enforcement Officers' & Firefighters' Plan 2 Retirement Board
P.O. Box 40918
Olympia, Washington 98504-0918

Re: Actuarial review: SHB 1936 Contribution Rate Increase

Chairman Fox and Members of the Board:

There follow the results of our actuarial review of the LEOFF 2 supplemental contribution rate increases recommended by the Office of the State Actuary for implementation on or before September 1, 2005, as contained in their letter of May 16, 2005 and in the March 16, 2005 fiscal note for SHB1936-revised.

Background

This legislation allows certain PERS Emergency Medical Technicians (EMTs), who were previously excluded from LEOFF 2 membership, to transfer from PERS 1 or PERS 2 to LEOFF 2 for future service.

It also permits these PERS members to elect (no later than June 30, 2013) to move their past PERS 1 and 2 service as EMTs to LEOFF 2 if:

- they contribute the difference, with interest, between the contributions they would have made had their past EMT service been covered by LEOFF 2 and the PERS contributions they actually made, and
- their employer contributes an amount necessary to avoid any increase in the LEOFF 2 contribution rate due to the service transfer.

The service transfer cannot take place before the EMT has accumulated 5 years of service after the election date. At the time of the service transfer twice the EMT's accumulated contributions with interest is transferred from PERS to LEOFF 2.

The contribution rate increases recommended by the Office of the State Actuary are shown below.

Employee	0.01%
Employer	0.01%
<u>State</u>	<u>0.00%</u>
Total	0.02%

Seven PERS 1 EMT's and sixty PERS 2 EMTs become eligible to transfer to LEOFF 2.

Results of Review

Member Data

Based on identifying information supplied by the Washington State Council of Firefighters, the Office of the State Actuary pulled data records from the September 30, 2003 valuation dataset for EMTs eligible for transfer to LEOFF 2. Assuming that all eligible PERS members were identified, the data appears reasonable.

Assumptions

In order to value this benefit it was assumed that:

- (1) no eligible PERS 1 members would elect to transfer to LEOFF 2 because most of the 7 affected members were within 5 years of retirement,
- (2) all PERS 2 eligible members would elect to transfer to LEOFF 2, and
- (3) all PERS 2 members transferring would elect, upon entering LEOFF 2, to move their past PERS EMT service to LEOFF 2 and, therefore, would not terminate employment in the next 5 years.

We agree that these assumptions are reasonable for pricing this benefit.

Contribution Rates

We independently calculated the increases in the LEOFF 2 Actuarial Present Value of Projected Benefits and the resulting contribution rate increases and agreed with the State Actuary's results.

Conclusions

The supplemental contribution rate increases calculated by the Office of the State Actuary are appropriate for the funding of LEOFF 2 with an implementation date on or before September 1, 2005.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely,



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